



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
NELSON COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2001**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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## EXECUTIVE SUMMARY

### **AUDIT EXAMINATION OF THE NELSON COUNTY FISCAL COURT**

#### **Fiscal Year Ended June 30, 2001**

The Auditor of Public Accounts has completed the Nelson County Fiscal Court audit for fiscal year ended June 30, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

We would like to commend the Nelson County Fiscal Court officials for their excellent accounting practices, professional attitude and cooperation.

#### **Financial Condition:**

The accompanying Statement Of Assets, Liabilities, and Fund Balances Arising From Cash Transactions reflects an unreserved fund balance of \$4,564,009. Funds to be provided in futures years to retire bond issues, notes, landfill closure and postclosure cost totaled \$13,608,652. The accompanying statement of cash receipts, cash disbursements, and changes in cash balances reflect a cash balance of \$4,564,009 as of June 30, 2001.

#### **Notes to the Financial Statement:**

The total receivables due Nelson County as of June 30, 2001, is \$186,667.

Principal on Long-Term Debt as of June 30, 2001 consisted of the following:

Bonds Outstanding	\$ 2,140,000
Note for Land Purchase	90,000
Note for Melody Lake Water Project	140,987
Note for Shopping Center Development	<u>1,120,000</u>
	<u>\$ 3,490,987</u>

The principal amount of all lease-purchase agreements outstanding as of June 30, 2001, is \$261,000.

During the fiscal year ending June 30, 2001, the Nelson county Jail Canteen received \$172,716 and expended \$148,697. The Jail Canteen reported June 30 ending balances of \$27,357 and of \$51,376 for 2000 and 2001 respectively.

An estimated \$4,559,027 is reported as landfill closure cost and \$5,558,638 postclosure care liability at September 9, 1994. Approximately 19.8% of the landfill airspace capacity have been used as of April 21, 2001. The projected date of closure is in the year 2017. No cost related to closure or postclosure care has been incurred to date. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. Estimates are adjusted for inflation.



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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Dean Watts, Nelson County Judge/Executive  
Members of the Nelson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Nelson County, Kentucky, as of June 30, 2001, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Nelson County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Nelson County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2001 of Nelson County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting described above.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Dean Watts, Nelson County Judge/Executive  
Members of the Nelson County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated September 6, 2001 on our consideration of Nelson County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Nelson County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
September 6, 2001



NELSON COUNTY OFFICIALS

Fiscal Year Ended June 30, 2001

**Fiscal Court Members:**

Dean Watts	County Judge/Executive
Thomas W. Mattingly	Magistrate
Raymond Greer	Magistrate
Bernard Ice	Magistrate
Tim Hutchins	Magistrate
Amos Gritton	Magistrate

**Other Elected Officials:**

John Kelley	County Attorney
Austin Weller	Jailer
Phyllis Mattingly	County Clerk
Diane Thompson	Circuit Court Clerk
Mike Newton	Sheriff
Barbara Tichenor	Property Valuation Administrator
Joseph L. Greenwell	Coroner

**Appointed Personnel:**

Martha Wheeler	County Treasurer
Dixie Smith	Finance Officer
Dixie Smith	Occupational Tax Administrator
Dixie Smith	Personnel Officer
Bobby Hamilton	Road Supervisor
Joe Cambron	911 Administrator
Dorcus Figg	Jail Administrative Assistant

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STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

NELSON COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2001

Assets and Other Resources

Assets

General Fund Type

General Fund:

Cash	\$ 1,481,190	
Notes Receivable (Note 4)	186,667	

Road and Bridge Fund:

Cash	349,959	
------	---------	--

Local Government Economic Assistance Fund:

Cash	190,866	
------	---------	--

Occupational Tax Fund:

Cash	266,651	
------	---------	--

Solid Waste Fund:

Cash	355,531	
------	---------	--

Public Improvements Corporation Fund:

Cash	133,652	
------	---------	--

Landfill Fund:

Cash	1,786,160	
------	-----------	--

Payroll Revolving Account - Cash	130	
		\$ 4,750,806

Other Resources

General Fund Type

General Fund:

Amounts to be Provided in Future Years for Water Project		
Note Principal (Note 5)	\$ 140,987	

Public Improvements Corporation Fund:

Amounts to be Provided in Future Years for Bond Principal (Note 5)	2,140,000	
--	-----------	--

Amounts to be Provided in Future Years for Landfill Site		
Note Principal (Note 5)	90,000	

Amounts to be Provided in Future Years for Shopping Center		
Note Principal (Note 5)	1,120,000	

NELSON COUNTY  
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 2001  
 (Continued)

Other Resources (Continued)

General Fund Type (Continued)

Solid Waste Fund:

Amounts to be Provided in Future Years for Municipal Solid Waste Landfill Closure Cost ( Note 8)	\$ 4,559,027	
Amounts to be Provided in Future Years for Municipal Solid Waste Landfill Postclosure Care ( Note 8)	<u>5,558,638</u>	<u>\$ 13,608,652</u>

Total Assets and Other Resources		<u><u>\$ 18,359,458</u></u>
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Liabilities and Fund Balances

Liabilities

General Fund Types

General Fund:

Water Project Note Principal (Note 5)	\$ 140,987	
Deferred Revenue (Note 4)	186,667	
Public Improvements Corporation Fund:		
Bonds Not Matured (Note 5)	2,140,000	
Landfill Site Note Principal (Note 5)	90,000	
Shopping Center Note Principal (Note 5)	1,120,000	
Solid Waste Fund:		
Municipal Solid Waste Landfill Closure (Note 8)	4,559,027	
Municipal Solid Waste Landfill Postclosure Care (Note 8)	5,558,638	
Payroll Revolving Account	<u>130</u>	<u>\$ 13,795,449</u>

NELSON COUNTY  
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 2001  
 (Continued)

Liabilities and Fund Balances (Continued)

Fund Balances

General Fund Types

Unreserved:

General Fund	\$ 1,481,190	
Road and Bridge Fund	349,959	
Local Government Economic Assistance Fund	190,866	
Occupational Tax Fund	266,651	
Solid Waste Fund	355,531	
Public Improvements Corporation Fund	133,652	
Landfill Fund	<u>1,786,160</u>	<u>4,564,009</u>
Total Liabilities and Fund Balances		<u>\$ 18,359,458</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

NELSON COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2001

	General Fund Types			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 10,663,964	\$ 3,589,608	\$ 1,314,855	\$ 655,891
Transfers In	2,554,052	40,000	500,000	665,052
Lease-Purchase Proceeds	125,000			
Total Cash Receipts	<u>\$ 13,343,016</u>	<u>\$ 3,629,608</u>	<u>\$ 1,814,855</u>	<u>\$ 1,320,943</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 10,548,812	\$ 3,216,129	\$ 1,822,992	\$ 1,320,943
Loan To Bardstown-Nelson County Tourist and Convention Commission	70,000			
Transfers Out	2,554,052	665,052		
Principal on Leases	17,000			
Principal on Notes	201,342			
Principal on Bonds	490,000			
Total Cash Disbursements	<u>\$ 13,881,206</u>	<u>\$ 3,881,181</u>	<u>\$ 1,822,992</u>	<u>\$ 1,320,943</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (538,190)	\$ (251,573)	\$ (8,137)	\$ 0
Cash Balance - July 1, 2000	<u>5,102,199</u>	<u>1,732,763</u>	<u>358,096</u>	<u>0</u>
Cash Balance - June 30, 2001	<u>\$ 4,564,009</u>	<u>\$ 1,481,190</u>	<u>\$ 349,959</u>	<u>\$ 0</u>



NELSON COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
Fiscal Year Ended June 30, 2001  
(Continued)

General Fund Types				
Local Government Economic Assistance Fund	Occupational Tax Fund	Solid Waste Fund	Public Improvements Corporation Fund	Landfill Fund
\$ 156,406	\$ 956,447	\$ 789,643 112,000	\$ 1,115,815 737,000 125,000	\$ 2,085,299 500,000
\$ 156,406	\$ 956,447	\$ 901,643	\$ 1,977,815	\$ 2,585,299
\$ 54,075	\$ 330,674	\$ 613,341	\$ 1,114,029	\$ 2,076,629
	625,000	222,000	70,000 512,000 17,000 178,842 40,000	530,000 22,500 450,000
\$ 54,075	\$ 955,674	\$ 835,341	\$ 1,931,871	\$ 3,079,129
\$ 102,331 88,535	\$ 773 265,878	\$ 66,302 289,229	\$ 45,944 87,708	\$ (493,830) 2,279,990
\$ 190,866	\$ 266,651	\$ 355,531	\$ 133,652	\$ 1,786,160

The accompanying notes are an integral part of the financial statements.

NELSON COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2001

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Nelson County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

Additional - Nelson County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Nelson County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Nelson County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, Occupational Tax Fund, Solid Waste Fund, Public Improvements Corporation Fund and Landfill Fund.

NELSON COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2001  
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Nelson County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Nelson County Fiscal Court:

North East Nelson County Fire Department  
 Nelson County Soil Conservation Service

Nelson County Library  
 Nelson County Extension Service

NELSON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2001, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

Note 4. Receivables

- A. The county loaned, at seven-percent interest, \$1,690 each to 123 residents of the Melody Lake Area on March 1, 1997, for the purpose of providing water lines to their homes. Terms of the agreement stipulate a \$25.51 per month repayment schedule. Records indicate that the residents are in substantial compliance with the terms of the agreement. As of June 30, 2001, the principal balance due was \$66,929.
- B. The county loaned, at seven-percent interest, \$2,500 each to five residents, and \$1,800 to one resident of the Roberts Road Area on May 1, 1997, for the purpose of providing water lines to their homes. Terms of the agreement stipulate a \$29.03 per month for five residents and a \$20.90 per month for one resident. Records indicate that the residents are in substantial compliance with the terms of the agreement. As of June 30, 2001, the principal balance due was \$8,991.

NELSON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 4. Receivables (Continued)

- C. The county loaned, at six-percent interest, \$3,446 each to seventeen residents of the Bellwood Road Area #1 on March 1, 1998, for the purpose of providing water lines to their homes. Terms of the agreement stipulate a \$29.08 per month repayment schedule. Records indicate that the residents are in substantial compliance with the terms of the agreement. As of June 30, 2001, principal balance due was \$43,062.
- D. The county loaned, at 6.24 percent interest, \$2,167 each to twelve residents of the Bellwood Road Area #2 on December 1, 1997, for the purpose of providing water lines to their homes. Terms of the agreement stipulate a \$24.32 per month resident repayment schedule. Records indicate that the residents are in substantial compliance with the terms of the agreements. As of June 30, 2001, principal balance due was \$14,118.
- E. The county loaned, at six-percent interest, \$600 each to eleven residents, and \$850 each to two residents of the Keith Knob Road Area on December 1, 1998, for the purpose of providing water lines to their homes. The terms of the agreement stipulate a repayment of \$18.25 per month for eleven residents and \$25.86 per month for two residents. Records indicate that the residents are in substantial compliance with the terms of the agreement. As of June 30, 2001, principal balance due was \$3,444.
- F. The county loaned, at seven-percent interest, \$70,000 to Bardstown-Nelson County Tourist and Convention Commission on September 19, 2000, for the purpose of providing support. The terms of the agreement stipulate a \$1,386.08 per month repayment schedule. Records indicate that the Commission is in substantial compliance with the terms of the agreement. As of June 30, 2001, principal balance due was \$50,123.

The total receivables due Nelson County as of June 30, 2001, is \$186,667.

NELSON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 5. Long-Term Debt

A. Bonds outstanding of the Nelson County Public Improvements Corporation Fund are:

1. 1992 Bonds

On November 1, 1992, County of Nelson (Kentucky) Public Improvements Corporation issued first mortgage revenue bonds in the amount of \$370,000; the proceeds of which were used to refinance the remaining balance of a \$719,179 Kentucky Local Correctional Facilities Construction Authority loan to Nelson County. Bonds outstanding as of June 30, 2001 are \$90,000.

Fiscal Year	Maturity Dates		
	Principal	Interest Rate	Interest
11/01/2001	\$ 45,000	4.95%	\$ 2,238
05/01/2002			1,125
11/01/2002	45,000	5.00%	1,125
	<u>\$ 90,000</u>		<u>\$ 4,488</u>

2. 1994 Bonds

On November 22, 1994, County of Nelson (Kentucky) Public Improvements Corporation issued first mortgage revenue bonds series 1994 dated November 1, 1994, in the amount of \$4,320,000; the proceeds of which were applied to the acquisition and construction of the Nelson County Solid Waste Disposal Facility. Bonds outstanding as of June 30, 2001 are \$2,050,000.

Fiscal Year	Maturity Dates		
	Principal	Interest Rate	Interest
07/01/2001	\$ 250,000	6.45%	\$ 66,113
01/01/2002	250,000	6.45%	58,050
07/01/2002	250,000	6.45%	49,988
01/01/2003	250,000	6.45%	41,925
07/01/2003	250,000	6.45%	33,863
01/01/2004	250,000	6.45%	25,800
07/01/2004	250,000	6.45%	17,738
01/01/2005	300,000	6.45%	9,675
	<u>\$ 2,050,000</u>		<u>\$ 303,152</u>

The principal amount of all bonds outstanding as of June 30, 2001, is \$2,140,000.

NELSON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 5. Long-Term Debt (Continued)

- B. On April 12, 1995, County of Nelson (Kentucky) Public Improvements Corporation entered into an agreement to purchase land for a new landfill. The total debt of \$225,000 is payable over (10) years in equal installments of \$22,500 per year, plus interest calculated at the rate of 7% per annum. The balance as of June 30, 2001, is \$90,000.

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>
06/30/2002	\$ 22,500	\$ 6,300
06/30/2003	22,500	4,725
06/30/2004	22,500	3,150
06/30/2005	22,500	1,575
	<u>\$ 90,000</u>	<u>\$ 15,750</u>

- C. On October 18, 1996, Nelson County Fiscal Court entered into an agreement to borrow \$250,000 from Farmers Bank and Trust Company to finance the Melody Lake Water Project. The total debt is payable over ten (10) years in equal installments, with interest calculated at 80% of prime. The balance as of June 30, 2001, is \$140,987.

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>
06/30/2002	\$ 21,248	\$ 7,090
06/30/2003	22,196	6,143
06/30/2004	23,459	4,880
06/30/2005	24,819	3,519
06/30/2006	26,246	2,093
06/30/2007	23,019	597
	<u>\$ 140,987</u>	<u>\$ 24,322</u>

NELSON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 5. Long-Term Debt (Continued)

D. On May 22, 1998, the Nelson County Public Property Corporation entered into an agreement to borrow \$1,600,000 from Farmers Bank and Trust Company to assist in the development of a shopping center. The total debt is payable over ten (10) years in equal semi-annual installments, with a variable interest rate (5.40% as of May 18, 2001). The balance as of June 30, 2001, is \$1,120,000. The final payment is due May 22, 2008.

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>
06/30/2002	\$ 160,000	\$ 58,320
06/30/2003	160,000	49,680
06/30/2004	160,000	41,040
06/30/2005	160,000	32,400
06/30/2006	160,000	23,760
06/30/2007	160,000	15,120
06/30/2008	<u>160,000</u>	<u>6,480</u>
	<u>\$ 1,120,000</u>	<u>\$ 226,800</u>

Note 6. Lease-Purchase Agreements

The county has entered into the following lease-purchase agreements:

<u>Description</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
Airport Hangers	04/14/1992	04/20/2007	5.63%	\$ 52,000
Water Tank	01/05/1993	01/20/2008	5.15%	\$ 84,000
Fire Truck	04/04/2001	06/20/2002	3.99%	\$ 125,000

The principal amount of all lease-purchase agreements outstanding as of June 30, 2001, is \$261,000.

Note 7. Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1)(2), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 68.210 requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletins 93-002 and 97-001 provide additional accounting and expenditure guidance for acceptable jail canteen operations.



NELSON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Continued)

Note 7. Jail Canteen Fund (Continued)

During the fiscal year ended June 30, 2001, the Nelson County Jail Canteen received \$172,716 and expended \$148,697. The Jail Canteen reported June 30 ending balances of \$27,357 and \$51,376 for 2000 and 2001 respectively.

Note 8. Closure and Postclosure Care Cost of Municipal Solid Waste Landfill

State and federal laws and regulations require the Nelson County Fiscal Court to place a final cover on its Municipal Solid Waste Landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste.

An estimated \$4,559,027 is reported as landfill closure cost and \$5,558,638 postclosure care liability at September 9, 1994. Approximately 19.8% of the landfill airspace capacity have been used as of April 21, 2001. The projected date of closure is in the year 2017. No cost related to closure or postclosure care has been incurred to date. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. Estimates are adjusted for inflation.

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COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



NELSON COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2001

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 3,897,313	\$ 3,589,608	\$ (307,705)
Road and Bridge Fund	1,254,493	1,314,855	60,362
Jail Fund	499,902	655,891	155,989
Local Government Economic Assistance Fund	88,678	156,406	67,728
Occupational Tax Fund	805,000	956,447	151,447
Solid Waste Fund	702,500	789,643	87,143
Public Improvements Corporation Fund	1,575,000	1,115,815	(459,185)
Landfill Fund	1,645,000	2,085,299	440,299
Totals	<u>\$ 10,467,886</u>	<u>\$ 10,663,964</u>	<u>\$ 196,078</u>

Reconciliation

Total Budgeted Operating Revenue Above	\$ 10,467,886
Add: Budgeted Prior Year Surplus	3,165,000
Add: Budgeted Borrowed Money	375,000
Less: Budgeted Other Financing Uses	<u>(791,500)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures	<u>\$ 13,216,386</u>

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SCHEDULE OF OPERATING REVENUE





NELSON COUNTY  
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2001

<u>Revenue Categories</u>	<u>General Fund Type</u>
Taxes	\$ 3,735,565
Excess Fees	287,927
License and Permits	84,506
Intergovernmental Revenues	2,614,590
Charges for Services	2,809,321
Miscellaneous Revenues	913,940
Interest Earned	<u>218,115</u>
Total Operating Revenue	<u>\$ 10,663,964</u>

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES



NELSON COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2001

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 1,872,215	\$ 947,381	\$ 924,834
Protection to Persons and Property	2,195,323	2,135,731	59,592
General Health and Sanitation	2,991,626	2,230,936	760,690
Social Services	188,702	119,907	68,795
Recreation and Culture	467,470	396,489	70,981
Transportation Facilities and Services	5,000	489	4,511
Roads	1,788,985	1,665,423	123,562
Airports	4,800	4,800	0
Bus Services	200,000	174,901	25,099
Debt Service	256,123	253,330	2,793
Capital Projects	1,317,442	1,270,709	46,733
Administration	1,928,700	1,348,716	579,984
Total Operating Budget - All General Fund Types	\$ 13,216,386	\$ 10,548,812	\$ 2,667,574
Other Financing Uses:			
Principal on Leases	25,000	17,000	8,000
Principal on Notes	206,500	201,342	5,158
Principal on Bonds	490,000	490,000	0
Loan to Bardstown-Nelson County Tourist and Convention Commission	70,000	70,000	0
TOTAL BUDGET - ALL GENERAL FUND TYPES	<u>\$ 14,007,886</u>	<u>\$ 11,327,154</u>	<u>\$ 2,680,732</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Dean Watts, Nelson County Judge/Executive  
Members of the Nelson County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Nelson County, Kentucky, as of and for the year ended June 30, 2001, and have issued our report thereon dated September 6, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Nelson County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Nelson County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett, Jr.", with a stylized flourish at the end.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
September 6, 2001

CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

NELSON COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001



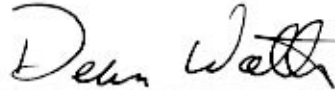
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

NELSON COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

The Nelson County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance and Development Programs was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Dean Watts  
County Judge/Executive



Martha Wheeler  
County Treasurer